Q. All right, sir. And could you tell us

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what, if anything, you did to prepare for today's deposition?

A. Met with counsel.

Q. And that would be Mr. Wall?

A. Yes.

Q. And when did you meet with Mr. Wall to prepare for today's deposition?

A. Yesterday.

Q. And how long was that meeting?

A. Five, six, five hours.

Q. All right, sir. You have a document in front of you which, for identification purposes, has marked been marked as Exhibit 550. It's a multipage exhibit. It has numbered in the bottom right-hand corner through page 48. The first page has printed "Board Presentation on M & A Opportunities," dated April 14th, 2003.

And I'll ask you if you have seen that before?

A. I certainly may have. I don't recall seeing the document.

Q. Do you recall Mrs. Catz giving a presentation regarding potential M and A opportunities in this time frame to the board?

A. Yes, I do, but I can't imagine it had this many pages. I have never seen a presentation of this length given to the board.

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Q. Well, let me ask you to turn to the third page of the document where there is a heading there "Enterprise Software Competitive Profile." And then there are a list of technology and apps on the left-hand side and across the top various company names.

Do you see that?

A. Yes, I do.

Q. Have you seen this document before?

A. Again, I may have; I don't recall it specifically.

Q. All right, sir. Now, on the left-hand side there are -- like I said, there is a box that says "Technology" next to a number of different technological descriptors --

A. Yes.

Q. -- starting with "Database" ending with "Content Management."

Do you see that?

A. Yes.

Q. Would you read through those to yourself first and tell me when you are finished, and I

00014

have a couple of questions about that information.

A. (Witness reviewing document.)

Okay.

Q. Are you familiar with the different types of technologies listed there?

A. Yes, I am.

Q. And, first of all, database, the first one, what do you understand that to mean?

A. General purpose software to manage the storage and retrieval of information.

Q. All right, sir. And next to that, under that, is the heading "App Servers."

A. Application server, yes.

Q. And what does that mean to you?

A. It is a development tool environment whereby you create and run your applications. Let me see if I can be a little more clear. In our case it would be the Java language. You program in the Java language and then we have -- so there is a development environment and then there is the execution or run-time environment for running your applications, executing the Java programs.

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So it is the program logic. If the database is the data-access portion of your application, storing and retrieving information, the program logic would be executed in the application server. For example, the program that says move that $50 out of the database -- out of your savings account and into your checking account. So those instructions, that portion of your application, would be resident and run in the application server.

Q. And then the term "Business Intelligence," what, if any, meaning does that have to you?

A. That, again, sits on top -- these all sit on top of the database. Business intelligence might look at your sales over the -- you know, the last, you know, the first ten weeks of this quarter and compare it to the first ten weeks of the previous quarter and draw a graph for you.

Q. All right, sir. And "Development Tools," what are they?

A. Those would be the development

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environment. Tools to help the programmer write the Java code, very much -- you have a word-processing editor you type in your documents too. There is a similar editor for programmers that allow them to type their computer instructions into, and it will -- just like if you have a spell checker, it would have the syntax checkers to make sure that you are putting the parentheses in the right place, as much as it could. It also let's you test your program. So it's the environment in which you write the programs and test the programs.

Q. And "Application Integration," what does that represent?

A. That's a piece of software, often has two parts. One part is the part that allows one program -- one computer program to talk to another computer program. Let's say you are trying to integrate SAP to Oracle, you know. Let's say it's SAP manufacturing and Oracle financials. So you have to have some way for the SAP application to talk to the Oracle application. If you will, a

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cell phone. Just like if I need to contact you, I can call you up on my cell phone. So there is a software that makes the connection.

And the most popular form of that now is called Web Services, allows me to actually just -- one program to get in contact with another program, but there still could be a problem though because you might speak Hungarian and I speak French. So there is the other part of the integration software which has to translate how I say "Let's have lunch on Thursday" in a way that you can understand "Let's have lunch on Thursday." And I think the met for is accurate.

So how Siebel stores customer records and how SAP stores customer records and how we store customer records is all different, so you need something to translate these formats, these customer record formats, into a common format so the applications can understand one another. So there is two pieces: The communication piece and the translation piece.

Q. All right, sir. And the term "systems

00018
management," do you have any understanding of that?

A. Sure. As these applications are running on a daily basis, there are people in the data center that have to watch the computers. They make sure you don't run out of storage space, and there are tools, consoles, whereby they can monitor and manage the ongoing computer operation.

So let's say a disc drive should break and they can -- they should know about that. Sometimes that failure could be catastrophic, most of the times it's not. The systems are relatively fault-tolerant, but it does that you have to pull that disc drive out and plug another one in at some point in time.

So it's a set of tools to both monitor and manage your software. Let's say your Oracle -- or you're adding some antiviral software to your e-mail systems, a new virus has just shown up, and you need to upgrade your e-mail software to protect yourself against this virus which is spreading. So there needs to be management tools

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which allow you what's called a patch, to make small changes to the software you are running, and this is a management console that helps the people in the data center apply that fix or that patch to your software. So that's all part of system monitoring and management.

Q. All right, sir. And "Storage Management," what, if any, meaning does that have to you?

A. Storage management is a subset of systems management -- well, storage management can have a couple meanings, but it's that subset of systems management that has to do with disc storage space, running out of space, failures, backing up the system. So periodically -- you've got a large system, you want to make sure you make a copy of all the data on that system in case of catastrophic failure, so backing it up, adding more storage as you need it. If there is a performance problem, one disc drive is being exercised excessively, you want to split that data across two separate disc drivers to balance

00020
performance.

Q. And "Network and Service Management," what meaning does that have to you, if any?

A. That would be the other end, again, of this whole thing called systems management. That would be looking at the network. In the case of Oracle, we have a big data center in Texas, but we have users of our system all over the world. So attached to our Texas data center is this vast private network that we've got, and sometimes we can have -- if we want to know if there are problems, performance problems, on the network, if there has a failure of a device on the network. So, again, it's a set of tools that let us look at the state of the network, how its performing, if there is any system failure, that allow us to, again, monitor and fix faults in the network.

Q. All right, sir. And "Content Management"?

A. Content management is an interesting, relatively new term. It usually means -- it means different things to different people. I guess the

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easiest way to describe content management is looking at a lot of things that are on a typical website. If you go to our website, there are a lot of text files, there are a lot of references. There might be an interview with a customer saying how wonderful the Oracle products are. We certainly wouldn't put up an interview if they didn't say they liked our products. So keeping track of customer references, customer interviews, analyst reports, all sorts of things that are not -- that are not traditional database data, that aren't structured data, like these reports, videos, interviews, images, all of those things fall into this rough area called "content management."

Q. All right. So now --

A. By the way, if I can just say, content management, some content management runs on top of a database and some content management runs on top of file systems.

Q. I'm sorry, the last part?

A. Some content management runs inside of

00022
the database. Most of the stuff sits on top of the database, but you can run it on a file system, if you like.

Q. All right, sir.

A. Okay.

Q. Now, are you familiar with the term "technology stack"?

A. Yes.

Q. And what does that term mean to you?

A. It's a collection of these -- it's a set of these things listed as technology, with the foundation, if you will, you can start at hardware if you want to, say the computer and the disc drives and then you put the operating system software on that, is the most primitive, lowest level piece of software; the database software on top of that, the application server software on top of that. And you can include business intelligence, if you want, and all of those other things as part of your technology stack.

Q. You use the term the "operating system software." Is that listed somewhere in the

00023
documents you have got in front of you?

A. No, it's not, but it's certainly part of the technology stack.

Q. And the operating system software is the software that actually runs the hardware?

A. That's correct.

Q. And gives the hardware the instructions on what to do in order to manage and manipulate the data?

A. Correct.

Q. Now, does Oracle supply that type of software?

A. No, we don't.

Q. Well, let's go back this way. Why don't

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you describe to me again what's in the technology stack as you understand the term.

A. Okay. If I can separate the two things. The technology stack would be again, by its very nature, technical. The users of the technology stack are professional programmers. So -- and they build applications. So the two major areas, two major software areas, are technology where the consumers are professional programmers and engineers, and application programs where the users are everybody, you know.

So the technology stack, the foundation -- starting with -- ignoring the hardware and just going straight to the software, the lowest level portion of the technology stack is the operating system. On top of the operating system would be data management, which is separated into two pieces, a file system and a database system, and both of those manage information. One is much more powerful than the other. One is much more easier to use than the others.

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So on your PC, you just store a word file and it's a file. It doesn't go into a database, but you can't do content search. You can't search -- there are a lot of limitations. It gets lost periodically, which some people find annoying. The database tries not to do that, so the simplicity versus complexity, more features, more complexity.

So operating system, data management made up of database and file management. On top of that, would be, if you will, your application development software or application server, if you prefer, and those are the three major pieces and all of the other pieces here I would say are somewhat important but peripheral to those three major layers.

Q. All right, sir. In the documents you have in front of you, the areas that would fit within what you have just described would be the application servers?

A. Absolutely.

Q. And then the systems management?

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A. Well, again, the three critical pieces, if you are drawing a picture, operating system, database and application server. Again, those to me are the large pieces. Then there are peripheral pieces. There are the system management tools. And these are used by people inside of the data center to kind of keep the computer running every day. They do maintenance. We have handed over this pile of stuff to them and they have got to keep it running. So they have basically gauges they watch to monitor what is going on, and if something breaks they have tools to fix what breaks. Those are the monitoring and management tools and that includes for the network, for the storage, for all the software, for the applications, for all of it. So there is a whole cluster of these management tools.

Content to management is really part of the data management services. So if I was drawing this picture, our operating system, then the database -- then the data management services, applications server, and then these -- other side,

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kind of the management tools to keep it running and then the development tools. The programmers have their own set of tools. There are two different jobs here in building these. They are people who build the applications and then the people who run them every day.

Q. All right, sir.

A. So the development environment for the builders and the monitoring and management tools for the runners, if will you.

Q. On the document that you have in front of you, Exhibit 550, on the column next to technology what on there would be the equivalent of the application server? I guess that's up at the top where it says "App Server."

A. App server, yeah.

Q. And the data management system would be equivalent to what other items listed here?

A. Database and content management. And what's not listed there is file management.

Q. Okay. And then the other piece that you mentioned -- data management, application server

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and the operating system.

A. And the operating system is not listed here at all. Because, again, this is -- again, this is a competitive profile and we just don't compete in the operating system. So this was not intended to be a complete list of the technology stack, just the areas in which we compete.

Q. In the technology, would you include software applications as part of the technology stack?

A. No.

Q. And why is that?

A. Because the users are different. So in one case in the technology stack the users are data processing professionals. In the case of applications, the users are everybody. Microsoft Word is an example of a desktop application. Our accounting systems are designed for professional accountants, not for -- and employees of companies to fill out expense reports on the internet. So these are not aimed -- you do not have to be an IT professional to use applications. You have to be

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an IT professional to use parts of the technology stack.

Q. All right, sir. Now, in the portions -- the parts of the technology stack that you described, in which ones of those does Oracle offer a product?

A. I think in everything listed here. So this is our list. So we offer a product in database, application server, business intelligence, development tools, application integration, systems management. I'm not sure I would separate out storage management as separate from systems management, but, you know, network services management, content management. So those are all areas in which we compete.

Q. All right. Now, is there in the stack as described it, is there a layer there that you would equate with the term middleware?

A. Yeah, absolutely.

Q. And what layer is that?

A. The application server certainly,

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business intelligence, parts of content management, application integration are all middleware.

Q. And you offer those products that you have described as part of middleware?

A. Yes.

Q. Who else out there offers products that would fit in the category of middleware?

A. IBM, Microsoft, Sun, BEA, SAP.

Q. What middleware products does SAP offer?

A. They have a product called Net-Weaver. And, again, since we last talked, SAP has aggressively moved into the middleware business. They used to just be in the middleware business for SAP applications, but they have gotten very, very aggressive with their Net-Weaver product and they are now selling it. They have aggressively entered the market in competition with IBM and Oracle and Microsoft and a lot of others.

Q. And what do you understand their Net-Weaver product to consist of?

A. It's got a Java-execution environment.

00033
It has an ABAP 4. SAP is written in a language --
mainly in a language called ABAP 4.

And it's got a Java environment in it.
It has business intelligence tools. It has
integration components.
BY MR. SCOTT:
Q. All right, sir. And what function --
what does the SAP product do, as you understand
it?
A. Exactly what all of the middleware
software does. It's an environment for running
applications. In other words, they have their own
set of development tools, and you develop either
an ABAP 4 or Java. You write the instructions and
then you put the instructions into the application
server and the application server executes the
program, runs the SAP program.
Q. All right, sir. Is the Net-Weaver
product, does that operate software applications
other than SAP?

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A. Sure.

Q. And is there any that you know of that it does not operate?

A. So it runs languages. So the best way to describe it is, if you wrote a program in Java, the Net-Weaver environment would run it. If you wrote -- now, ABAP really is a proprietary programming language to SAP. Java is not. Java is an industry standard language. So it supports both SAP's old proprietary language, ABAP, and where SAP is going, which is Java.

Q. Now, your middleware products, what language are they written in?

A. Very similar to SAP. Well, you shouldn't say "written in." What languages do they run. It's really a run-time environment.

So they run our old fashion forms environment. We move to Java a long time ago, so a lot -- so we were very early on on the Java train. We were the first application company really to go to the internet and we were the first application company to adopt Java as its

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programming environment. So we support our older environment forms, as well as our new environment, Java.

Q. All right, sir. And we may have hit on this, and if I have I apologize. I just want to be clear. Does your middleware product operate applications other an Oracle?

A. Of course.

Q. Now, are you aware of there being some agreement reached recently between SAP and Microsoft pertaining to the Net-Weaver product?

A. Yeah, I think so.

Q. And what, if any, understanding do you have of that agreement?

A. I believe -- well, Microsoft has its own project language called C-Sharp, and Microsoft has been moving to improve its coexistence with its competitors, to improve its relationships with its competitors. And Oracle, SAP and even Sun have signed agreements or announced agreements with Microsoft supporting coexistence with Microsoft's technology platform which is called .Net.

Q. All right, sir. You indicated that Microsoft and Oracle had reached some agreement?

A. Right.

Q. And could you describe that agreement, please?

A. Again, it's pretty much a coexistence with Microsoft's .Net, specifically Microsoft's development tools. Microsoft is very, very strong in providing an environment called Visual Studio for programmers. And sometimes programmers want to program in Java, and if they want to program in Java, that's great. We happen to have a Java development environment ourself and a lot of other people have a Java development environments, but Microsoft has its own development environment for C-Sharp and it's called Visual Studio. And we

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want to make sure if programmers would like to program in Visual Studio they can still use the Oracle database. So you can use Microsoft tools to write applications and run those applications on top of our database. So, again, it's to make sure there is graceful coexistence between these companies even though we compete.

Q. What is your understanding of the deal Sun has with Microsoft?

THE WITNESS: Yeah. Again, I think besides the fact that they settled their lawsuits, again, it's all around coexistence. It's all designed -- the general umbrella for all of this is companies have different vendors' products

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inside the company and Microsoft would like to make sure that their products work well with Sun's products and their products work well with Oracle's product and their products work well with SAP products.

Q. Does .Net work well with Oracle's ERP application?

A. Well, it depends what you mean by "work with." Oracle's ERP applications are either written in forms or written in Java. They are not written in .Net. It doesn't mean you can't write a program in .Net and integrate it too and have it talk to Oracle applications. So it's back -- you go through our integration layer to go ahead and do that, but, yes, we certainly can coexist, and if you have a Web Services program over here written in .Net and our programs are web-service enabled, and they are, and they are written in Java, those programs can communicate and coexist.

Q. Microsoft -- what portions of the technology stack does Microsoft supply?

A. Microsoft and IBM are the two companies I can think of that pretty much supply the entire stack. So they have the operating -- everything you have in here, plus the operating system, you name it, they have got it. Those two companies are the only companies I can think of that participate in every area of the stack.

Q. And, again, I'm not trying to misstate you, so if I have got the terminology wrong please tell me. I understand, for example, with your product, there is a middleware product upon which your applications are placed and then they work directly off that middleware product; correct?

A. Correct.

Q. Would your product be able to be put

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directly on top of the Microsoft middleware product and be able to operate?

A. Could our applications?

Q. Yes, sir.

A. Okay. No. Because our applications are written in Java and the Microsoft middleware doesn't understand Java. In fact, that was the big argument between Sun and Microsoft. So Microsoft doesn't support Java. You come and speak Hungarian to Microsoft, they have no idea what you are saying. So no, you couldn't rehost or you couldn't recompile or you couldn't take our applications and have it run natively on top of the Microsoft middleware because they wouldn't understand the language we were speaking, because we're speaking Java and they speak C-Sharp.

Q. Now, the on-demand service that you are offering you used to call outsourcing?

A. We used to call it outsourcing.

Q. So you are actually running somebody's software for them on your machines?

A. It's usually our software, but it's not exclusively our software. So as distinguished between IBM that does outsourcing and Oracle that does outsourcing, we try to -- we specialize in running our own software. IBM really will run anyone's software. We run our own software primarily, but we will run third-party applications and we will run custom applications as well as part of a larger suite.

Q. In your outsourcing service does the customer buy the software?

A. Yes, they do.

Q. All right, sir. Now, you indicated earlier, and, again, please correct me if I have gotten this wrong, that in addition to Microsoft, IBM has what you would call all the components of the stack?

A. Yes.

Q. And which of the components offered by IBM does your application software work with?

A. Which do we work with?

Q. Yes, sir.

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A. Well, again, we coexist. Now, IBM's application server supports Java. Most of the application servers support Java. In fact, the only application server that I know of that doesn't support Java is Microsoft's.

So we can -- an application written on top of Web Sphere, which is the name of IBM's application server, an application written on top of Web Sphere is likely written in Java, and it can communicate through Web Services with an Oracle application. You can actually take an application written on top of the Oracle application server and run it on top of the IBM application server. You can't do that with Microsoft. We talked about that before, but you can actually lift one of our Java programs off our application server and run it on -- without modification run it on the IBM application server.

Q. Do your applications, if you put them on the middleware that's offered by IBM, would they operate?

A. The Java -- so if our applications were

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written 100 percent in Java, which they will be at some point in time in the future, the answer would be yes. But since they are not, since our applications are written in a combination of Java and an older language called Forms, the Java portion would, but the Forms position would not.

Q. Now, you indicated that at some point in time that your software would be written entirely in Java?

A. We think so, yes.

Q. And when do you project that to occur?

A. Oh, every last bit, it would be years.

Q. And what percentage of your application software is currently written in Java?

A. I'm guessing 30 percent.

Q. Now, when did you begin first producing it using Java? And, again, talking about your application software.

A. Just starting five years ago.

Q. And why did you begin using Java to write your application software?

A. We are a great believer in industry

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standards and interoperability, so our database was based on a standard language called SQL, and we will invent proprietary languages only in so far as that there is no standard out there that we can adopt. So we much prefer a adopting standard languages.

Actually, to promote a proprietary language you really have to be the gorilla in the marketplace, and the only companies that have promoted these proprietary languages successfully was IBM when they were number one and Microsoft now because they are number one.

Q. Now, the Microsoft -- the Microsoft stack you said doesn't operate on Java.

A. Correct.

Q. As your software becomes more and more Java enriched --

A. Yes.

Q. -- for want of a better term, will that make it easier for it to operate on the IBM stack?

A. Sure. On the IBM middleware. On the IBM Web Sphere. Let me clarify that.

00058

Q. Sure.

A. On the IBM middleware, yes.

Q. Now, you have used the term "IBM Web Sphere a couple of times.

A. Yes.

Q. What is that?

A. That's IBM's brand name for their middleware.

Q. And that's a Java-based product?

A. Yes, it is. It's Java plus many other things.

Q. All right, Mr. Ellison. Let me ask you, if you would, to turn back to Exhibit 550 to your deposition.

00059

A. Yeah.

Q. Still on page 3.

A. Yes.

Q. And just so that -- because we've been over a number of topics, so the record is clear on this, could you describe what database product Oracle currently has available?

A. The Oracle database, it's actually called Oracle, same as the name of our company. We have a couple -- three versions actually: Enterprise Edition, Standard Edition and Standard Edition 1.

Q. All right, sir. And the difference between those products is what?

A. You have the most features in Enterprise Edition, and you can run the most number of processors with Enterprise Edition. So it's scaled. It's just designed for a larger number of users, larger databases.

Q. And IBM's database products, what are they?

A. DB2. IBM has some older ones called IMS, but they are no longer relevant.

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Q. And the IBM DB2 product is a product that your Oracle database product competes with?

A. Yes.

Q. And Microsoft, what database products do they offer?

A. It's a product called Sequel Server.

Q. All right, sir. And that is roughly equivalent to your Oracle database product?

A. Yeah, we don't think it's as good, but...

Q. That's why I said "roughly."

A. Roughly.

Q. Does Oracle's applications product work with the IBM DB2 database?

A. No, it does not.

Q. Does Oracle's applications products work with the Microsoft Sequel Server database product?

A. No, it does not.

Q. All right, sir. Now, in the application

00062
server, what products does Oracle offer?

A. We have a product called the Oracle Application Server.

Q. And that product is essentially what?

A. It is integration software. Our Java run-time environment, business intelligence software. Again, I'm not sure what I have already mentioned. Forms, Java, business intelligence, integration, those things.

Q. And when you say integration software in the context of your application server product, what do you mean?

A. It actually has connectors to Siebel systems and SAP Systems and PeopleSoft systems and Lawson systems and Cerner systems and all sorts of other systems for connecting up these systems.

Q. To your database?

A. No. To connect a Siebel system, Siebel application system, to an Oracle application system. To connect a Lawson system to an Oracle system. It's that software we talked about before where there is two portions; one allows them -- I

00063
used the cell phone metaphor; one piece allows program A to connect to program B so you can talk, and then there is the translation piece.

Q. All right, sir. And the IBM App Server product, do you know what that is?

A. The IBM application server product?

Q. Yes, sir.

A. Called Web Sphere.

Q. And does the Oracle applications, the ERP software, work with that product?

A. No. I think you asked me, but it would runs the -- it would run the Java portion of our applications but not the portion in written Forms. So the intent is to get our applications to 100 percent to Java, and I said that will take years. At that point it should run on the IBM application server.

Q. And the Microsoft, their application server product is called what?

A. Just Windows.

Q. And Oracle's ERP software does not run with that application software?

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A. They don't support the Java language. So it couldn't execute. It couldn't run -- we can coexist, coexisting versus running on, but, no, we will never be able to run on the Microsoft application server because Microsoft has no intention of supporting the Java language.

Q. And IBM, does it have an application integration product that is over and above what is offered in its application server?

A. "Web Sphere" is one of these terms like "On Demand." It's a big umbrella term and IBM throws almost everything with the kitchen sink underneath it. So when IBM says our Web Sphere revenue was so many dollars, I believe it includes all their integration software. But it really -- Web Sphere is many different products, including, so Web Sphere is not exactly a product. It's, again, this umbrella term under which lots of products are listed. And it includes -- and all their integration software falls under the category of Web Sphere products.

Q. Does IBM offer an integration software

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product that is independent of its application servers?

A. They offer integration software independent of their Java server. Again, what IBM calls an application server, it's like a menu. It's just like you can put this list of products on a menu and we'll call this menu Web Sphere, and so it's this name of this list -- Web Sphere is a name of a list of products. IBM would like you to believe it's a product, but it's really a bunch of products written by different people at different times and they just aggregate it together as this conceptually aggregate thing together.

Q. And Microsoft, what do they have in the way of application integration software that's available?

A. Windows Event Server.

Q. Is that part of the application server?

A. It's part of a Windows Event Server, which is an application server, and that is a product.

Q. Now, BEA, what type of application server

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product do they offer?

A. Again, it's Java-based. The name of the product is WebLogic and they have integration software and portal software and it's got the same thing. We all compete in these areas.

Q. Now, BEA does not have a database product?

A. They do not.

Q. Their application server, what databases are you aware of that that will operate with?

A. All of the majors. Most all of them. I mean IBM, Oracle, Microsoft, Sybase. Probably more than that.

Q. And will your application software operate on -- operate with a BEA application server?

A. Will our application software coexist --

Q. Can you run your application server software on a BEA system application server?

A. If it's written in Java. So same thing with IBM. So the Java portion of the application can run on the BEA application server, but the

00068
Forms portions cannot.

Q. And going down the chart, we have on page 3 of Exhibit 550, it shows BEA having a circle half black and half white, which indicates "player" at the top next to application integration.

Do you see that?

A. Yes, I do.

Q. Do you have any idea what that means?

A. I guess, you know, they're a relatively new player in applications integration.

Q. What integration product does BEA have?

A. Again, it's around -- it's built around web services. Again, it has a lot of the characteristics of ours. It's built around Java Web Services and specific application translators.

Q. And WebLogic that you talked about, the product that BEA, has what is that?

A. WebLogic is the name of their Java application server, but it also now includes -- they have expanded it again since we last talked. They have added a lot of integration software,

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they have added portal software, so they have expanded their footprint.

Q. And the integration software that BEA has added since we last talked, what does that consist of, what does it do?

A. It's more connectors to more -- you know, to more databases, more application systems. It's a more capable portal. A portal takes data from lots of separate systems and puts them on the same web page.

Q. Now, you mentioned Web Services is a means of application integration; correct?

A. Yes.

Q. And how long have Web Services been a significant means of doing that type of application integration?

A. For years.

Q. Beginning approximately when? Well, let me ask you --

A. Four years ago.

Q. Let me ask this follow-up question. Who was the first one that offered Web Services as a

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way of doing application integration?

A. Sun BEA.

Q. And was that offered for a particular type of product?

A. For their Java -- for their Java server.

Q. When did Oracle first begin offering Web Services as a means of application integration?

A. Very shortly thereafter.

Q. And what products did you offer that integration service for?

A. For our application server. It came as part of our application server.

Q. And when you say it came as a part of your application server, what does that mean?

A. Well, it means if you use our tool set, if you build -- if you build your applications using our Java development environment and you run our application server, those -- and program according to the Web Services standards, I mean, programmers have to -- it's a set of standards the way you program to, then program A will be able to communicate with program B across the internet.

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Q. And does SAP offer similar type services?

A. Yes, they do.

Q. And do you recall when they began doing that?

A. Sometime after -- they adopted Java later than we did, but two years ago.

MR. WALL: I'm sorry, what is the "that"? I'm not clear what the antecedent is.

MR. SCOTT: The web integration through Web Services.

THE WITNESS: So -- and it depends where it shows up in the stack. You might have the ability to support Web Services in your application server or your applications might not be written to the standards, so Web Services are a set of standards you have to write to.

So first you would create the technology for Web Services and then you would adapt your applications to support Web Services. So first comes the technology then the applications have to be modified.

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BY MR. SCOTT:

Q. And were your applications modified to work with Web Services at the time you offered that product?

A. The very beginning -- no. The answer is no. It took more time for us. And it's an ongoing process. We because have a lot of application code and a lot of application code has to be updated and updated to support Web Services.

Q. And does PeopleSoft offer integration through Web Services?

Q. And are you aware of any other software, ERP software, vendor who has developed their software to the point where integration can take place through Web Services?

A. I think everyone is doing this, but I just don't know the status of each vendor separately.

Q. How was software integration done before the possibility of doing it through Web Services was introduced to the market?

A. Again, all Web Services are is a standard protocol. I hate -- I think the metaphor holds. It's just a way of program A, you know, establishing a connection to program B. So for years we've been able to -- we've had different techniques called remote procedure calls, RPCs, where a program in computer A could issue a remote procedure call and talk to computer B. But now that the internet has become a standard way of lacing these computers together, and now that we

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have -- it's really about standards.

We have always been able to have a program -- program A and program B agree on how to communicate through what's called a remote procedure call. What's different about Web Services now is there is a global standard for interconnecting machines called the internet, and there are intranets and private internets and all these other things, but it's a global standard.

Now that there is this global standard for interconnecting machines, we can build a program that uses these standards and these are called Web Services that adopts that standard way of interconnecting.

It's as if every cellular telephone -- and there is not -- there is not a global standard for cellular telephones. The reason you need a different cell phone in Europe is because there are different ways, you know, different technologies, but there is -- so there is no standard way of cell phones communicating globally. There is a standard way for computers

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to communicate globally. So now we can say, all right, we're all going to go to this standard protocol called Web Services to establish a connection. So any program that can communicate with any other program on any computer any place in the world just as long as they are attached to an internet or intranet or connected in this standard way.

It does not solve the problem of, okay, now once we have established a connection, you know, just like me calling someone in Budapest, if I don't speak Hungarian and they don't speak English, we've got a problem.

Q. And that would bring into play the translation point of the integration that you talked about earlier?

A. Correct.

Q. And is that translation point something that's available through the web or is that something that is available through the application server?

A. It's definitely not available through the

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web. It would be available through the application server and perhaps even the applications themselves have to adapt.

Q. And when you say the applications themselves may to have adapt, what does that mean?

A. We've recently introduced this thing called the customer data hub, and the customer data hub recognizes that companies would like to have -- our big thrust in the e-business suite, the holy grail, the way I sold the e-business suite, one of the great things about it, was all your customer data was in one database. So think about get all your data in one database and then kind of attached the applications to this data.

The problem with the e-business suite is it requires customers to get the bulk of their applications from Oracle, and a lot of companies have existing -- have lots of different applications from lots of different vendors. They have been buying applications for the last 10 years and they don't want to switch out all those applications and bring in only Oracle, but they

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love the idea of having all their customer data in one place.

So we said, all right, as an alternative to the e-business suite, I think we can solve the problem another way. And solving the problem another way is saying, all right, keep your Siebel and keep your SAP and keep your whatever you got, your PeopleSoft, who knows what you got, all this different stuff, keep it all, the Oracle financials, I mean live in this environment, but we will refer to it as a spoke system and we will have at the center this database called the customer data hub, and every time a salesman enters a new customer into the Siebel we'll make a copy of that data, if you will, it goes from the hub to the spoke. Every time the billing system notes that a customer is late in paying, we'll make a copy of that, that customer information, put that in the customer data hub.

So you are going to collect all much this information from all of these spoke systems into this hub system and you can interconnect them

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using Web Services to establish the connection and then the translation software to -- and then Oracle provides what is called a data model for a very rich database. So we can handle sales information and billing information and marketing information and service information for all different kinds of customers in all different kinds of industries.

Q. Do you see this product as a replacement for your application software?

A. No. No.

Q. Then what is the purpose of it?

A. It's -- not everyone is going to buy Oracle's application software. Not everyone is going to buy only Oracle application software. Very large companies, even if they decided to go the e-business way, would take them years to get from where they are today to get to the e-business suite, and they would like to take advantage of having that 362-degree view of their customers. They like the idea of all their customer information in one place. So it is something

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that's very attractive to large customers who live

in an environment of heterogenous technologies and

heterogenous applications.

Q. Now, do you -- in implementing the data hub and product, do you see that as a means by

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which you could end up selling more or less application software?

A. More.

Q. And how is that?

A. Again, we think it's a very interesting -- there are two kinds of barriers -- there is two problems with selling the e-business suite. One is the conceptual problem which is, gee, I don't want to throw away all my existing applications and go to Oracle, just get out of my office, I'm not going to do it. The other is, I love the idea, but how do I get from here to there. It's going to take years.

Q. How do I get from here to there in relation to what?

A. How do I go from my heterogenous environment of thousands of separate systems to this nirvana you're talking about of this Oracle e-business suite. I don't know how I gracefully migrate from where I am today. I don't know how to get there. Tell me how I get there.

And a customer data hub is designed to

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address both of those customers. Where the e-business suite has been very successful is smaller companies where the cost and the time required to put in the e-business suite is just not onerous.

Q. The data hub product you believe will allow you to sell more application software because it will give a mechanism for customers who want a central database to transition from having a lot of systems to the e-business suite and get the benefit of having a central database during that process?

A. Correct.

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Q. And then for other customers who are not in the market to change because they don't want to go buy a system, it will allow them to centralize their data in one area and allow you to sell some application software to operate on top of the hub?

A. Right. Right. Otherwise that customer would just be closed to us for some time. Clearly, we would have opportunities in very large companies. You have opportunities to sell this division and that division and this application, but it's nice to not be on the periphery. It's nice to be in the center.

Q. When was the data hub product rolled out by Oracle?

A. In the last six months.

Q. When your deposition was taken last year, you had decided to roll out the data hub product?

A. What was the date of my deposition?

Q. January 20th, 2004. I misspoke. This year.

A. This year, right. Probably.

Q. Do you have a specific recollection as of the time of your deposition that you had decided to roll out the data hub product?

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A. I don't.

Q. Would there be documents within Oracle that would indicate when you had decided to roll out that product?

A. Well, clearly we roll -- it was shortly before we announced it. Shortly, as I say, no more than 60 days before we announced it and maybe as soon as -- the decision might not have been made -- may have been two weeks before, so I just don't remember.

Q. Well, certainly when your deposition was taken in January 20th, 2004, you were aware of the data hub product being under development at Oracle?

A. Yes, probably, yeah.

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Q. Now, does the data hub only handle customer-related information?

A. Yes, but that's a little bit misleading because when you keep track of customers, you would like to know what products those customer buy. So when you say I'm just going to keep track of customer data, you are forced to keep track of product information.

Q. For example, does the data hub and the software that comes with it, does that support what we will call human resource functionality?

A. In a narrow sense. For example, you might want to know who are the customer support people that support General Electric, right, so the answer is yeah, kind of.

Q. Okay. Well, does the data hub product, as currently constituted, support things like payroll and benefits and information and functions related to a company's own employees?

A. Well, the answer is we are coming out with a product shortly called the Employee Data Hub, something like that, but, again, these things

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are all -- the trouble -- everything is connected. So one of the things you would like to know is how much am I spending selling to General Electric. So to find that out you would have to know who are the salespeople, how much they make, what you pay to them in commissions. So, in other words, you're asking the question show me my most profitable customers, show me my most unprofitable customers, how much did GE buy, how much should we spend supporting General Electric, selling to General Electric, all of those things. So you can argue that's all customer data, that's all -- is that customer data or HR data.

Q. Well, you said you are going to come out at some point with something you are calling the HR data hub?

A. Right.

Q. What is that?

A. That is -- again, a lot of people have separate -- I think it's called an Employee Data Hub, and there is a lot of the employee information that you might not necessarily keep in

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your HR system. For example, you're authorized to approve purchases over $10,000 -- up to $10,000. That might be stored in your accounting system. So your -- your territory includes all of the State of Maine for sales. Well, that might be stored in the sales system. So there is a lot of information that's tied to people that you don't think of necessarily being part of the HR system.

Q. Well, first of all, when did you start developing the employee hub?

A. We are just -- it's a work-in-progress right now.

Q. Do you have an estimated time of arrival for that to hit the market?

A. We might, but I don't know what it is.

22 Q. Does the current data hub handle

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financial management support, things such as general ledger, accounts payable, accounts receivable, asset management, those types of functions?

A. No.

Q. Do you have any plans to roll out a product that will do that in a data hub context?

A. No. The general ledger in a sense is a data hub. There is what's called a consolidated general ledger. Our general ledger product actually allows you to have several different companies in your -- General Electric uses it. They have several different businesses, lots of different businesses and they do what is called a consolidation inside of their general ledger, which is a hub function, statutorily required.

Q. So I take it that you're not coming out with a financial data hub that will do that type of thing?

A. It would be duplicative.

Q. Of your current products?

A. Yes.

Q. All right, sir. Looking at page 3 on Exhibit 550 again, the pieces that go in the technology stack that you have defined would include database, application servers and application integration, correct?

A. The three primary chunks I would describe would be operating system at the bottom, database in the middle, and application server on top. We put application integration as one of the components of application server.

Q. All right, sir. Now, in relation to operating systems -- or the technology stack generally, as you have defined it, operating systems, database and application server, would the acquisition of PeopleSoft allow you to compete better with Microsoft?

A. Absolutely.

Q. And how so?

A. Well, Microsoft's -- that's a very -- to compete with Microsoft, we think -- Microsoft relies on its scale to compete. So they sell software in high volume at a low price. And what enables you to sell software at a low price is

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high volume, because you have a very high fixed cost and almost insignificant or nonexistent marginal cost. So if you can amortize your fixed cost over a large number of customers, you're able to lower prices. That's why the biggest software company in the world has very low prices. So to compete with Microsoft, and the driving force for this acquisition, is for us to get larger, for us to have more customers, so we can compete on price in what's going to be an increasingly price-competitive market.

Q. All right. Now, let me back up here. The idea of the PeopleSoft acquisition assisting you in competing with Microsoft is a function of scale?

A. Largely a function of scale.

Q. And in that context, you define "scale" as meaning what?

A. More customers.

Q. And more customers would help you compete with Microsoft how?

A. Okay. So let's say in order to build an

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application it costs you a million dollars. Let's say you have one customer. You only got one customer for the application. You have got to charge at least a million dollars for it or you lost money. Let's say you have a million customers for it. You could make two dollars for it and make a lot of money.

So the development costs are fixed. In our business the development costs are different than almost any other business in the world. We have very, very large fixed costs and we have to get back the money on the fixed costs by selling more than one copy. The more copies we sell, the more we can lower the price.

So if we think that price competition is going to increase, and whenever Microsoft gets in the neighborhood price competition increases, guaranteed. As price competition increases, what enables us to compete is having more customers, because then we can charge a lower price.

And -- but, again, it's obviously more complicated than that. We can also spend more on

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innovation and engineers and engineering and enhancements. So if we have more customers -- if we have one customer we can't spend a million dollars on the product. You can't do it because no one is going to pay you a million dollars for the product. But if you have a million customers or 10,000 customers, you can spend more.

So it's a combination. So as you get more and more customers two things happen. You spend more on R and D and you lower the price and you kind of split the difference and, God willing, your profits increase also. So that's the dynamic. That's why Microsoft is so profitable. They have low prices, but they have a huge number of customers. They spend a lot of money in R and D. They spend more money in R and D than anybody. They have the lowest prices, just in general. That's how they beat all their competition in the PC application business. They just had the lowest prices. And the way they get away with that is they have lots and lots of customers. They make it up in volume.

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For us to compete -- and that's who we're competing with. So here comes Microsoft. What do you do? You have to have lots of customers. Because you have to increase your spending in R and D and you have to lower prices simultaneously, and the only way you can do that is to get to scale, is to get more customers.

Q. Now, in relation to -- again, looking at exhibit -- page 3 of Exhibit 550 --

A. Right.

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Q. -- on the column at the end --

A. I have memorized this page now.

Q. I would hope so.

At the last column there is the heading "PSFT," which I take it stands for PeopleSoft?

A. Yes.

Q. And under that it indicates that PeopleSoft has some presence, though according to the key, not significance presence in business intelligence, developmental tools and application integration.

Do you see that?

A. Yes, I do.

Q. Does the technology -- or do you know anything about the technology they have in those areas?

A. Yeah. There development tools are -- they have this proprietary language called PeopleTools and they built business intelligence on top. Their programs are written in this language called PeopleTools. And this is all the stuff that's around PeopleTools. Because it's

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unique to PeopleSoft, they have to build their own integration pieces and their own development environment.

Q. And I take it that since those are proprietary, obtaining that technology is not what is driving you to do this deal?

A. No. No.

Q. Okay.

A. No.

Q. Is there a particular size or scale that you have as a target out there that you want to achieve either through this acquisition or some other mechanism?

A. Yeah, you have to -- I mean, our problem -- our problem is, you know, in the technology area is IBM's a little bit bigger than us in software and Microsoft is a lot bigger than us in software. So we certainly have to -- you know, and those are our two major areas in the technology stack, two major competitors in the technology stack. And we have to get -- if you take away Microsoft's X box business or MSN, we have to get close to their size in software. So if we're 10 billion dollars now, I would be much more comfortable that we could defend ourself if we were 20 billion, than 10. We would probably have to be twice as large as we are now.

Q. So you see the world as we go forward ending up being Microsoft on one side and essentially everybody else on the other?

A. Microsoft versus mankind with Microsoft in the lead.

Now, based on your earlier testimony, I take it that you have competed with Microsoft in the database arena for quite sometime?

A. Yes.

Q. And how long have you folks been going head to head in database products?

A. Certainly over a decade.

Q. Were they in first or were you?

A. We were.

Q. And how much of a lead did you have on them timewise?

A. We had a huge lead, but they actually purchased their product from Sybase. They bought the code from Sybase, very much like they bought

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NetVision and, you know...

Q. All right, sir. And over time, do you have any -- as of today, do you have any idea, roughly, of what your share is versus their share in the market?

A. We're definitely --

MR. WALL: "The market" defined as what?

MR. SCOTT: As database products.

MR. WALL: So all relational database?

MR. SCOTT: All relational database products.

THE WITNESS: They are probably slightly larger than we are on Windows and of course they don't exist on mainframes or on Unix or on Linux at all, so we're considerably larger there.

BY MR. SCOTT:

Q. Now, in the area of relational database products, have you been able to grow share against them or have they grown it against you?

A. I think they have consistently grown it against us.

Q. Are they at a point in database products

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where you could consider them to have a monopoly on relational database products?

A. No.

Q. Now, in the relational database product area, how is it that you have been able to maintain a competitive position against them such that they have not been able to monopolize that?

A. We had a many, many year head start and we have been able to keep our engineering team together, but we think we have an engineering team that's better than theirs and we started before them, way before them.

Q. From a cost standpoint, looking at it from a customer standpoint, how do you compare to Microsoft in the relational database arena?

A. We have more customers.

Q. I'm sorry, I meant how much does it a customer, the cost of acquiring yours, versus the cost of acquiring Microsoft's comparable products.

A. Microsoft has a lower purchase price. Again, I'm oversimplifying. But, in general, Microsoft has a lower purchase price and we think

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we have a lower total cost of ownership. For example, if we run substantially faster on a computer than they do, you don't have to spend as much money on the computer. You can get a smaller computer. If we require less labor to operate the system, you don't have to hire as many people to run it. So when we talk about the total cost of ownership, it's very different than purchasing just the database component.

Q. Now, in the area of enterprise software, based on your experience in competing with Microsoft in database, do you believe that they would be able to monopolize the sales of enterprise application software?

A. No.

Q. And why is that?

A. It's a very competitive market right now. The systems installed are highly durable. People don't pull these systems out and reinstall them.

Now, I suppose if you said, you know, 25 years out could they get to a monopoly position or 30 years out, I wouldn't so glibly answer no, but

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certainly in my -- in the next 10 years, no chance. The rate of turnover of these products is relatively slow. People don't change their accounting system, HR, manufacturing, supply chain systems very frequently. Even small businesses don't change them very frequently.

Q. All right. Mr. Ellison, you have in front of you a document which has been marked for identification purposes as Exhibit 553 to your deposition.

A. Yes.

Q. It's a one-page document bearing ORCL-EDOC-0122 -- 12 -- let me start that again.

All right. You have in front of you a document which has been marked as Exhibit 553, identification ORCL-EDOC-01242183. It's dated June 7th, 2003, e-mail from you to Charles Phillips and Safra Catz, re:

00190

Accenture/PeopleSoft.

Do you see that?

A. Yes.

Q. And that's an e-mail that you wrote, the one at the top, "What a great opportunity to expand our reach. This is looking better every hour. Larry."

A. Yep.

Q. And below that is an e-mail that you appear to have been sent from Mr. Phillips, talking about a call that he had received from the CFO at Accenture?

Do you see that?

A. Yes.

Q. Is that someone that you knew?

A. His name is Harry Eu. I know him now, but I didn't know him then.

Q. And this says, "The potential acquisition of PeopleSoft hit home and made them," referring to Accenture, "realize we could turn into a must-have partner and he offered to set up a meeting between me and their top 10 partners which

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I plan to do."

Did you have any understanding of what he meant by Oracle turning into a must-have partner from Accenture's standpoint?

A. As we get bigger, our importance in the marketplace increases; so, yeah, we're a bigger, more important company.

Q. Well, do you know if Accenture had any type of relationship with PeopleSoft prior to your announcement that you were going to try to acquire PeopleSoft?

A. We have a relationship with Accenture. PeopleSoft has a relationship with Accenture. SAP has a relationship with Accenture. Cerner has a relationship --

MR. WALL: Slow down. You are hitting warp speed at this point.

THE WITNESS: Sorry.

I think most major software companies -- Accenture is one of the two largest system integrators in the world, and I think every major software company has a relationship with them.

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BY MR. SCOTT:

Q. And your reply to this e-mail says, "What a great opportunity to expand our reach." What did you mean by that?

A. To get to get more Accenture partners involved in our business.

Q. And what do you mean by the term "Accenture partners"?

A. Accenture, even though it's a publicly held corporation now, still has a partnership structure, and each of these partners runs their own business in certain geographic areas, and we would rather -- they would be increasing the amount of business they did with Oracle.

Q. So by developing a relationship with more of these partners, you have the potential to do more business and thereby expand your reach?

A. Yes.

Q. When you said here "This is looking better every hour" in this e-mail, what did you mean by that?

A. I guess this is the day after our tender,

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so things were happening quickly at this time, and I think we were happy with our decision to make the tender.

Q. Well, do you recall at any point in time where your growth slowed to a point in applications where it was unacceptable to you personally?

A. Sure. The last -- 2001, 2002, 2003 were tough years, you know, post-bubble. I mean, people were spending a lot less on tech. And, plus, some companies had accustomed themselves to a much higher rate of spending. At least we hadn't done that.

Q. And you attribute your dissatisfaction with your level of applications sales to what?

A. Well, primarily, not only, but primarily the macroeconomy then. I mean, we can blame ourselves, you know, our own people after that. It's our own.

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Q. So would it be fair to say that there was less applications business out there with the same number of players trying to win it?

A. There was a lot less of all technology business. There was less database. There was less computer hardware, less PC business. You name it, there was less of it.

Q. As a result of the economy having an impact on what people were spending in tech, did that make competition more aggressive?

A. That's an interesting question. It's a brutal business. I'm not sure it's any more competitive in bad times than it is in good, to tell you the truth. I have heard, but I don't really think it's -- you know, it affected that dynamic. It's a very tough -- people fight for every deal.

Q. But in 2002-2003, you would agree there was less business to be had with essentially the same number of players trying to have it?

A. Yes.

Q. In the applications area?

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A. Yes.

Q. Let me ask the question again so we're clear.

A. Sure.

Q. You said that you saw in some period of time after the dot-com bubble burst that there was a reduction in tech spending by companies, correct?

A. Yes.

Q. Over what period of time did you see that?

A. It dropped quite rapidly in 2001, and the thing is I would like to distinguish -- you use the metaphor "dried up." It really didn't dry up, but it dropped down. I realize it's just a metaphor, but it did drop down to a lower level and then people always talked about, gee, we're going to have this recovery. We're going to have this recovery. And recovery didn't come. Recovery didn't come. And I made several speeches saying there wasn't going to be a recovery if what you meant by recovery was a return to the year

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2000 or 1999, that there was never going to happen.

And, in fact, people had been spending -- if you look at the curve, their IT spending just shot up precipitously and actually returned to what I would call a more normal level. And I think as much as it dropped -- now, industry by industry. If we look at the telecommunications, which just got killed, and the suppliers, you know, to those industries. Cisco dropped precipitously and other suppliers. Lucent dropped precipitously. Nortel, those suppliers really got hurt as tech suppliers. But, in general, whether you looked at Oracle or Microsoft or IBM, HP, any of the major tech companies, our sales dropped down, but it wasn't -- you know, it wasn't -- it's not going to be a curve that looks like this, down and then back up. You are going along nicely with normal growth. You had some huge spike and now you just slip back to where you would have been had that spike not occurred.

And there were a lot of reasons for that

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spike. The year 2000 phenomenon, the -- my counsel said the mass hysteria of the dot-com investment boom, all these companies being formed and taken public, and them buying software and computer systems and doing all this stuff and they hadn't shown a penny of profit. All that should have never happened. So I don't think this is a valley we're going through and then it's going to go back up again. I think the environment we're in right now is the tech environment for some time to come. It will grow slowly with the economy, but it's not going to, quote, recover to its former glory, nor should it, because they were spending way too much money on tech in those days.

Q. Within Oracle, do you see any signs that the spending for technology has increased over the past twelve months?

A. You know, maybe a little, but I'll emphasize, just a little. Again, I publicly said I don't expect there to be a comeback. This is the recovery. This is it.

Actually, the economy is doing quite

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well. The people don't think so. The American people don't think so necessarily, but unemployment is lower now than it was in the 1970s, 1960s, 1980s, 1990s. The economic growth is really quite good. We've added a lot of jobs recently. The economy is not doing badly at all. So this is it. There is not going to be a sudden upturn coming. So the competitive climate -- I know you just said is competition tougher now. This is it. This is the environment we live in and will be living in for some time.

Q. You saw less business available with essentially the same number of competitors after the dot-com bubble burst?

A. Right, because that was an abnormal demand spike. In a rational world it would not have occurred.

Q. And the level of business available that you saw after the dot-com bubble you don't expect to get significantly higher?

A. No, I don't.

Q. So either the same number of players will

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be going after that level of business or some of those players will fall by the wayside.

A. And, again, I publicly stated that the industry is going to go through -- as this industry matures, we'll go through a consolidation. We have to.